



House of Representatives

General Assembly

File No. 50

February Session, 2012

Substitute House Bill No. 5025

House of Representatives, March 20, 2012

The Committee on Government Administration and Elections reported through REP. MORIN of the 28th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE OWNERSHIP OF PUBLIC ACCOUNTING FIRMS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-281e of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2012*):

3 (a) The board shall grant or renew permits to practice public
4 accountancy to firms that [make application] apply and demonstrate
5 their qualifications in accordance with subsections (b) to (f), inclusive,
6 of this section.

7 (b) Permits shall be initially issued and renewed annually.
8 Applications for permits shall be made in such form, and in the case of
9 applications for renewal, between such dates as the board may by
10 regulation specify.

11 (c) An applicant for initial issuance or renewal of a permit to
12 practice under this section shall be required to show that [each

13 proprietor, partner or shareholder of such firm] a simple majority of
14 the ownership of the firm, in terms of the financial interests and voting
15 rights of all proprietors, partners, members or shareholders of such
16 firm, belongs to individuals holding a valid license to practice public
17 accountancy issued by the licensing authority of a state or territory of
18 the United States. Any proprietor, partner, member or shareholder of
19 such a firm whose principal place of business is in this state, who
20 performs professional services in this state and who works in this state
21 [holds] shall hold a valid license to practice issued under section 20-
22 281b or 20-281d. An individual who has practice privileges under
23 section 20-281n and performs services, for which a firm permit is
24 required under [such] said section, shall not be required to obtain a
25 certificate under section 20-281c or a license under section 20-281d.

26 (d) An applicant for initial issuance or renewal of a permit to
27 practice under this section shall be required to register each office of
28 the firm within this state with the board and to show that all attest
29 services and compilation services rendered in this state are under the
30 charge of a person holding a valid license issued under section 20-
31 281b, 20-281d or by some other state.

32 (e) The board shall charge an annual fee for each application for
33 initial issuance or renewal of a permit under this section in the amount
34 of one hundred fifty dollars; provided, no such fee shall be charged to
35 a firm having not more than one licensee.

36 (f) Applicants for initial issuance or renewal of permits under this
37 section shall list in their application all states in which they have
38 applied for or hold licenses to practice public accountancy, and each
39 holder of or applicant for a permit under this section shall notify the
40 board in writing, [within] not later than thirty days after its occurrence,
41 of any change in the identities of any proprietors, partners, members,
42 officers or shareholders of such firm who work regularly within this
43 state, any change in the number or location of offices within this state,
44 any change in the identity of the persons in charge of such offices, and
45 any issuance, denials, revocation or suspension of a license by any

46 other state.

47 (g) The following firms shall be required to hold a permit issued
48 pursuant to this section:

49 (1) Any firm with an office in this state performing attest services;

50 (2) Any firm with an office in this state that uses the title "CPA" or
51 "CPA firm"; or

52 (3) Any firm that does not have an office in this state but performs
53 attest services described in subparagraph (A), (C) or (D) of subdivision
54 (13) of section 20-279b for a client having its home office in this state.

55 (h) A firm that does not have an office in this state may perform
56 services described in subparagraph (B) of subdivision (13) of section
57 20-279b or subdivision (14) of section 20-279b for a client having its
58 home office in this state and may use the title "CPA" or "CPA firm"
59 without a permit issued under this section if:

60 (1) Such firm has the qualifications described in section 20-281
61 concerning quality reviews; and

62 (2) Such firm performs such services through an individual who has
63 practice privileges under section 20-281n.

64 (i) Any firm that is not subject to the requirements of subsection (g)
65 or (h) of this section may perform other professional services while
66 using the title "CPA" or "CPA firm" in this state without a permit
67 issued under this section if:

68 (1) Such firm performs such services through an individual who has
69 practice privileges under section 20-281n; and

70 (2) Such firm can lawfully do so in the state where said individuals
71 with practice privileges have their principal place of business.

72 Sec. 2. Subsection (e) of section 20-281g of the general statutes is
73 repealed and the following is substituted in lieu thereof (*Effective July*

74 1, 2012):

75 (e) No firm shall assume or use the title or designation "certified
76 public accountant", or the abbreviation "CPA", or any other title,
77 designation, words, letters, abbreviation, sign, card or device tending
78 to indicate that such firm is composed of certified public accountants,
79 unless (1) the firm holds a valid permit issued under section 20-281e,
80 as amended by this act, (2) all proprietors, partners and shareholders
81 practicing public accountancy in this state hold valid certificates and
82 licenses issued under section 20-281d, and (3) a simple majority of all
83 proprietors, [officers] partners, members and shareholders of the firm
84 hold licenses. The prohibitions contained in this section shall not be
85 construed to apply to a firm that meets the requirements of section 20-
86 281e, as amended by this act.

This act shall take effect as follows and shall amend the following sections:

| | | |
|-----------|---------------------|------------|
| Section 1 | <i>July 1, 2012</i> | 20-281e |
| Sec. 2 | <i>July 1, 2012</i> | 20-281g(e) |

Statement of Legislative Commissioners:

In section 1(c) "of such a firm" was added for clarity and "such" was changed to "said" for proper form.

GAE *Joint Favorable Subst.-LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact: None

Explanation

This bill, which allows individuals other than Connecticut-licensed accountants to hold an ownership interest in a public accountancy firm, has no fiscal impact on the state.

The Out Years

State Impact: None

Municipal Impact: None

OLR Bill Analysis**sHB 5025*****AN ACT CONCERNING THE OWNERSHIP OF PUBLIC ACCOUNTING FIRMS.*****SUMMARY:**

Current law prohibits an accounting firm from holding itself out as a certified public accountant (CPA) or using the CPA designation, unless, among other things, (1) it has a valid permit to practice in Connecticut and (2) each equity owner holds a valid license to practice public accountancy.

This bill eliminates the requirement that each equity owner hold a valid license and thus allows firms to obtain a permit and use the CPA designation as long as a simple majority of its owners, in terms of financial interests and voting rights, holds a valid accountancy license from any U.S. state or territory. Equity owners are proprietors, partners, members, and shareholders.

The law, unchanged by the bill, requires a firm's equity owners to hold a valid Connecticut license if they perform professional services and work in this state. It also requires each equity owner of a firm organized as a professional services corporation, professional association, or professional limited liability company to be a Connecticut-licensed public accountant (CGS §§ 33-182a, 34-82, and 34-119).

The bill makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2012

COMMITTEE ACTION

Government Administration and Elections Committee

Joint Favorable

Yea 14 Nay 0 (03/02/2012)